

Public Agenda Item #13b

Review, Discussion and Consideration of the Texas Employees
Group Benefits Program:

Plan Design for the High Deductible Health Plan for Fiscal Year 2017

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Plan Design for the High Deductible Health Plan for FY 2017

Health Savings Accounts

Background



High Deductible
Health Plan

Health Savings
Account

Consumer Directed
Health Plan



High Deductible Health Plan

Background



- HB 966, passed by the 84th Texas Legislature, requires the Employees Retirement System of Texas to establish a Consumer Directed Health Plan (CDHP) within the Group Benefits Program. The CDHP is to include a High Deductible Health Plan (HDHP) and a Health Savings Account (HSA).
- HB 966 contains an important provision:
 - *The Employees Retirement System of Texas shall develop and implement the health savings account program under Chapter 1551, Insurance Code, as amended by this Act, in a manner that is as revenue neutral as possible.*

High Deductible Health Plan

2016 Minimum Requirements set by the IRS



To achieve beneficial tax status for the HSA, the HDHP must meet the requirements of Section 223 of the Internal Revenue Code (IRC).

- The deductible must be at least \$1,300 for single coverage and \$2,600 for family coverage;
- The out-of-pocket expense maximum for in-network benefits (which includes the deductible) can be no greater than \$6,550 single and \$13,100 family;

High Deductible Health Plan

2016 Minimum Requirements set by the IRS



- 2016 contribution maximums are \$3,350 for single coverage and \$6,750 for family coverage. An additional catch-up contribution of \$1,000 is allowed for individuals age 55-64;
- Contributions must stop once an individual is eligible in any type of Medicare coverage.

High Deductible Health Plan

Potential Design(s)



- IRS plan limits apply only to in-network benefits.
- The in-network deductible will be set for the individual and 2 x for family coverage; the out-of-network deductibles are often or can be 2 x the in-network for the individual and family.

Example: In-network deductible is \$2,100 / \$4,200

Out-of-network deductible is \$4,200 / \$8,400

- Upon satisfaction of the deductible, benefits could be paid at 80% in-network and 60% out-of-network until the member reaches the applicable out-of-pocket maximum.

High Deductible Health Plan

Potential Design(s)



- The in-network out-of-pocket maximums (which include the deductibles) will be established at and adjusted annually to meet the maximum levels allowed under the IRC.
- The difference between in-network out-of-pocket maximum and out-of-network out-of-pocket maximum will be doubled.

Example: In-network out-of-pocket maximum is \$6,550 / \$13,100

Out-of-network out-of-pocket maximum is \$13,100 / \$26,200

High Deductible Health Plan

Potential Design(s)



- Deductibles and out-of-pocket maximum accumulations do not usually cross apply between in-network and out-of-network services.
- The plan could operate as a **network PPO without PCP referral requirement**.

High Deductible Health Plan

Assumptions for Pricing Model



- 3% of the current HealthSelect members shift to the CDHP, with such enrollment equally impacting each coverage tier, i.e. member only, member + spouse, etc.
- Note: 3% was an estimate provided by Milliman in its 2008 study.
- The state contribution for the CDHP will be 100% of the cost of member coverage and 50% of the cost of dependent coverage, per statute.

High Deductible Health Plan

Assumptions for Pricing Model



- Some of the reduction in claim cost generated by the HDHP design will be placed in a member's HSA.
- Some of the reduction in claim cost generated by the HDHP will be passed on to the member in the form of a lower dependent premium.
- The CDHP design must account for any adverse selection which will occur as a result of the availability of the optional health plan.

HDHP

Potential Design(s)



Sample Plans	In-Network Deductible Individual / Family	Monthly Employer Deposit to HSA Individual / Family	% Reduction in Dependent Contribution Compared to HealthSelect	Example of Impact on Dependent Spouse Contribution H/S in FY 2017 = \$353.34
Option 1	\$1,300 / \$2,600	\$25 / \$50	10%	\$318.00
Option 2	\$2,100 / \$4,200	\$36 / \$72	20%	\$280.67
Option 3	\$2,100 / \$4,200	\$45 / \$90	10%	\$318.00
Option 4	\$2,100 / \$4,200	\$55 / \$110	0%	\$353.34
Option 5	\$2,600 / \$5,200	\$54 / \$108	10%	\$318.00
Option 6	\$3,250 / \$6,500	\$63 / \$126	10%	\$318.00

HDHP

Recommended Plan Design - Beginning September 1, 2016



Recommended Plan	In-Network Deductible Individual / Family	Monthly Employer Deposit to HSA Individual / Family	% Reduction in Dependent Contribution Compared to HealthSelect	Example of Impact on Dependent Spouse Contribution H/S in FY 2017 = \$353.34
Option 3	\$2,100 / \$4,200	\$45 / \$90	10%	\$318.00

- Plan will operate as a network PPO without PCP referral requirement
- In-network deductible is \$2,100 / \$4,200
- Out-of-network deductible is \$4,200 / \$8,400
- In-network out-of-pocket maximum is \$6,550 / \$13,100
- Out-of-network out-of-pocket maximum is \$13,100 / \$26,200
- Preventive services are covered at 100% not subject to the deductible

Questions?